

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AGR-05 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-02 DODE-00 PA-01 USIA-06 PRS-01 /089 W

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R 222049Z APR 75

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 9837

INFO AMEMBASSY BRAZILIA

AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

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E.O. 11652: N/A

TAGS: EAGR, HO

SUBJECT: BANANAS: STANDARD FRUIT NEGOTIATIONS WITH BANANA COMMISION

COME TO HALT.

REF: TEGUCIGALPA 1367

SUMMARY: STANDARD FRUIT HONDURAN MANAGER, MICHAEL ROTOLI,
ADVISES EMBASSY OF CURRENT STATUS COMPANY NEGOTIATIONS WITH
BANANA COMMISSION. IN ESSENCE NEGOTIATIONS ON MAINTAINING
BANANA PRODUCTION IN ESLETAS AREA BROKEN OFF. NEXT STEP
(EXCLUDING POSSIBLE EFFECTS OF CHQYGE IN GOVERNMENT) IS LIKELY
TO BE A NOTIFICATION FROM THE HONDURAN GOVERNMENT TO STANDARD
FRUIT THAT ISLETAS AREA TO BE TAKEN UNDER THE AGRARIAN REFORM
LAW. END SUMMARY.
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1. IN A SERIES OF MEETINGS WEEK OF APRIL 14, NEGOTIATIONS
WERE CONDUCTED BY THE FULL BANANA COMMISSION AND STANDARD
FRUIT REPRESENTATIVES TOWARD THE OBJECTIVE OF AN AGREEMENT TO
MAINTAIN BANANA PRODUCTION IN ISLETAS AREA. NEGOTIATIONS
PROCEEDED SATISFACTORILY ON ALL POINTS EXCEPT TWO.
FIRST STANDARD FRUIT WAS UNWILLING TO ALTER ITS OFFER OF
\$2.15 FOB PER 40 POUND BOX. SECONDLY, STANDARD FRUIT INSISTED
THAT THE INA OR OTHER GOVERNMENT AGENCY MUST BE THE EXPORTER
OF RECORD. POINT ONE WAS NEVER REALLY EXAMINED BY THE BANANA
COMMISSION BECAUSE IT HAD NO MEANS OF DETERMINING PROBABLE INA COSTS
AND THEREFORE WHETHER THE \$2.15 OFFER WOULD BE ACCEPTABLE. HOWEVER,
SECOND
POINT WAS CONSIDERED NOT NEGOTIABLE BY STANDARD. INHERENT IS
STANDARD'S OBJECTION AGAINST PAYMENT OF BANANA SURCHARGE.
PRODUCER IS EXPORTER OF RECORD IN BOTH COSTA RICA AND
NICARAGUA UNDER STANDARD'S CONTRACTS. STANDARD IS NOT GOING
TO SIGN ANY AGREEMENTS WHICH REQUIRE THE COMPANY TO PAY
EXPORT TAXES.

2. STANDARD'S POSITION NOTED BY BANANA COMMISSION WHICH STATED
MATTER WOULD BE REFERED TO CHIEF OF STATE. SUBSEQUENTLY
BANANA COMMISSION NOTIFIED STANDARD THAT IT COULD NOT ACCEPT
THIS POSITION AND THAT IT WOULD BE OBLIGATED TO PROCEED
AGAINST STANDARD UNDER THE AGRARIAN REFORM LAW. THE
GOVERNMENT TOLD STANDARD THAT UNDER NO CIRCUMSTANCES WOULD
INA BE AN EXPORTER.

3. THE ABOVE CONDITIONS (WHICH STANDARD DOES NOT BELIEVE WILL
BE ALTERED BY A CHANGE IN GOVERNMENT) LEAD TO THE CONCLUSION
THAT THE ISLETAS AREAS WILL NOT CONTINUE WITH THE PRODUCTION
OF EXPORT BANANAS.

4. ON SUNDAY APRIL 20, LT. COL. MARIO MALDONADO MUÑOZ WJ
DIRECTOR OF INA, GAVE A SPEECH AT A GATHERING IN ISLETAS.
IT WAS PRIMARILY A "FLAG WAVING" DISCOURSE WHICH FREQUENTLY
REITERATED THE RESPONSIBILITY OF THE MILITARY GOVERNMENT TO
TAKE ACTION TO PLACE INTO PRODUCTION UNUTILIZED LAND.

5. COMMENT: THE NEGOTIATIONS BETWEEN STANDARD AND THE
BANANA COMMISSION HAVE CONTINUED ON A CORDIAL BASIS. THE
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EMBASSY BELIEVES STANDARD IS ROCK HARD IN ITS POSITION THAT
IT WILL ACCEPT ISLETAS PRODUCTION ONLY ON A FOB BASIS. THE
REACTION OF THE BANANA COMMISSION TO STATE THAT IT WILL APPLY
THE AGRARIAN REFORM LAW HAS NO SURPRISES BECAUSE THIS HAS
BEEN ANTICIPATED FOR SEVERAL MONTHS. IF THE GOVERNMENT SHOULD
MAINTAIN ITS POSITION, IT WILL BE FACED WITH A MONUMENTAL
REORGANIZATION OF AGRICULTURAL PRODUCTION IN THE 41,000 ACRES
IN ORDER TO MAINTAIN LABOR OCCUPIED. STANDARD REITERATED

DURING THE DISCUSSIONS THAT THE COMPANY WAS NOT ATTEMPTING TO NEGOTIATE THE EXPORT SURCHARGE. THE EMBASSY BELIEVES THAT THE COMPLEXITIES WHICH HAVE EVOLVED IN THE PAST YEAR ARE NONETHELESS THE INEXORABLE RESULT OF THE INITIAL BAD DECISION ON THE PART OF THE GOVERNMENT TO APPLY THE TAX.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NEGOTIATIONS, BANANAS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TEGUCI01612
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750143-0155
From: TEGUCIGALPA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750427/aaaaazaf.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 TEGUCIGALPA 1367
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2003 by ShawDG>; APPROVED <17 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BANANAS: STANDARD FRUIT NEGOTIATIONS WITH BANANA COMMISSION COME TO HALT.
TAGS: EAGR, EINV, HO, STANDARD FRUIT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006